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TREASURY FOR OASIA

E.O. 12958 N/A

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SUBJECT: TRADE MINISTER CALLS IN AMBASSADOR REGARDING U.S. STEEL SAFEGUARDS

REF: STATE 312026

11. SUMMARY: Trade Minister van Gennip called in the Ambassador on November 18 to voice very serious concerns at the prospect of U.S. steel safeguards remaining in place following the WTO Appellate Body confirmation that these safeguards are WTO-inconsistent. She noted that the Netherlands would be alert to the possibility of the USG replacing the safeguards with other protective measures such as revising the method of calculating antidumping and or countervailing duties. Van Gennip said that revising the anti-dumping, countervailing duty calculations would "constitute a clear breach of U.S. obligations under WTO rules." Should the U.S. replace the steel safeguards with other WTO-inconsistent measures or fail to remove the safeguards altogether, van Gennip said the Dutch government would support the EU taking retaliatory measures. The Ambassador replied that it is both the U.S. and EU interest to see retaliation avoided and noted that he could not speculate about the timing or nature of any action the President might decide to take in regard to lifting, modifying, or maintaining the safeguard measures. END SUMMARY

12. TEXT OF 11/18 DEMARCHE BY TRADE MINISTER VAN GENNIP ON STEEL

The Netherlands welcomes the ruling by the World Trade Organization Appellate Body that U.S. Safeguard measures ("201 measures") on steel imports are not in compliance with WTO rules.

The Netherlands expects the United States to comply with the WTO findings by removing these safeguard measures on steel imports at short notice, but ultimately five days after the decision by the Appellate becomes final.

The Netherlands deems compliance with findings of the WTO to be at the core of the multilateral trade system. The further strengthening of that system is in the interest of all participating countries. In the aftermath of the lack of success of the 5th Ministerial Meeting of the WTO, it is of the utmost importance that the membership of the WTO lives up to its commitments. At the present juncture, such compliance is even more important, as the lack of commitment may undercut the current effort to revitalize the Doha Development Agenda.

In the absence of US compliance with the findings of the Appellate Body of the WTO, the parties complaining have the right to take appropriate measures. The Netherlands will support a decision by the EU to impose retaliatory measures if the US Government fails to withdraw the 201-measures on steel.

Both the European steel industry and their American clients have been seriously hampered by the "201-measures". Speedy withdrawal of these measures is therefor in the interest of both the European and American economies.

The Netherlands will remain vigilant as to the possible measures:

---The Netherlands has learned that the current practice of the US as regards the determination of anti-dumping duties on steel imports is being discussed.

---Such a change would lead to deduction of section 201 and/or countervailing duties from the gross unit price in order to determine the applicable export price or constructed export price used in anti-dumping calculations. Such a practice would be in our view constitute a clear breach of US obligation under the WTO rules.

---Moreover, protecting the domestic steel industry through such measures will have a devastating impact on our joint efforts to reconstruct the steel industry and to create a

free market for steel products.

Sobel